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A Practical Integrated Model Approach to the Complexity of Strategic Alignment

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Abstract

Strategy as a concept is rational, logical, clear, and fairly simple to understand; yet an overwhelming number of organizations struggle in their strategy formulation and implementation. The primary and direct contributing factor to such situations within organizations is lack of alignment. Many organizations exhibit a significantly-disjointed, fragmented approach when it comes to their goals and objectives, resources, and operational systems required to be in place so that (strategic) alignment is exhibited and optimized in pursuit of a strategy. In turn, clear definition and optimal communication seem to be the direct contributors to the alignment, or lack thereof, of many organizations, especially those international companies having subsidiaries / SBUs in various countries.

This paper proposes a practical, yet strongly-integrated conceptual model for optimizing strategic alignment and maintaining focus within multi-SBU organizations. The model has been rationalized, successfully applied, and proven highly effective in a significant case study researched and implemented from 2013-2016 in a multinational, multi-cultural organization involving direct multiple SBUs throughout North and South America, and indirectly to auxiliary facilities in Japan. The significance of the results was such that the overall regional headquarters increased both their sales and profit margin within the research & application time-frame by more than 20% and 10% respectively, primarily due to inorganic efficiency expansion based on the utilization of the strategic alignment model proposed. The model directly and positively impacts stakeholder value by addressing the three critical components of the organization: people, process, product, within the framework of the strategic alignment process. Both a quantitative and qualitative analytical approach establishes the research and model development leading to the final concept; but the focus of the work remains the practical methodology and its application to “real-world” organizational problems and practical resolutions as they relate to strategic alignment issues of a multitude of organizations.

Keywords: strategy, strategic alignment, management, planning, SBU

Introduction

The best strategy is virtually useless if it cannot be implemented effectively and optimally. Furthermore, implementation itself centers around alignment of stakeholder interests (people); business systems & structures (processes); and, assuming that the firm wishes to grow and be profitable, the *right* portfolio of products and services (products). This People/Process/ Product *Triad* (what we refer to as the ***3PT Framework***), is what effective strategic alignment is all about at its core level.

According to Dr. Lawrence Hrebiniak at the Wharton School of Management at the University of Pennsylvania (Hrebiniak, 2013), the most formidable obstacles to effective strategy *execution* are:

- Inability to manage change effectively and overcome resistance
- Not having guidelines or a model to guide strategy execution efforts
- Poor or inadequate information sharing among individuals or SBUs
- Unclear communication of decision responsibility/accountability
- Lack of sense of ownership among key employees
- Lack of understanding of the significantly important role of organization structure and design

The direct connection of these to a ***people*** or a ***process*** problem, and in most cases a problem of ***both,*** is obvious. Furthermore, coupling this with a disadvantaged product offering can spell disaster for any organization in practically any industry sector. The only remaining question to be had is what the particular time-frame will be - a quick shock or a slow burn.

People

Stakeholders (people) have a direct, and often-times, critically-decisive influence on organizational strategic direction; after all, its ultimately to the benefit of these stakeholders that a strategy be successful in achieving its objectives. Thus, arguably, their knowledge of and proactive support, is critical for successful strategic implementation/alignment. Furthermore, a key factor in directly identifying and proactively engaging the people of the organization within the strategic alignment framework process is understanding key ***relationships and structures,*** both formal and informal, within not only the SBU, but the overall corporate structure as a whole. Unfortunately, however, and especially difficult for an international organization taking a diverse group of people with different cultural norms, different background experiences, different beliefs and lenses to the world, and depositing them within a corporate setting, you inherently create friction and stresses within such a system. There is competitiveness, rivalry, lack of trust, etc., This is basically *people being people*; it's difficult to overcome, it's part of the business landscape for any organization. But it is essential for the strategist to, first of all, identify and accept this macro-concept as a given (within *any* organization), one which directly impacts organizational

culture; understand the micro-relationships within this setting that create and fuel organizational subcultures; and utilize the appropriate tools, motivations, and strategic alignment techniques that help change peoples' views of the organization and their work within it, away from simply transactional, and more towards honest engagement, mutual respect, and even towards the concept of *warmth*, which we define: *a projection of feeling of shared goals and values that lead to trust and ultimately alignment and success*.

Process

The second critical element in our *3PT* Framework is business systems, structures and processes. Given that an organization has a pool of talented and motivated individuals that can be part of the strategic alignment initiative, it then boils down to providing resources in the form of effective and efficient systems, the tools and support mechanisms that the people will use to move forward.

Kim Warren who conceptualized the method known as *Strategy Dynamics*, and teaches at the London Business School writes:

> *When the causes of performance through time are not understood companies tend to make poor choices about their future. They embark upon plans they cannot achieve, failing to assemble what they need*. (Warren, 2007)

Warren refers to this as the *critical path* to strategic direction. In order for an organization to properly align it must establish the proper processes & tools in an attempt to facilitate its course down that path. The primary issue for many organizations is not that they do not have the resources to do this. Establishing systems and processes need not be a high resource-intensive endeavor, but one of what we refer to as *flexible-discipline*. Many organizations today, including the firm that we use in our current research here, tend to over-simplify their approach to strategy and strategic alignment; this means they may not appreciate the fact that one requires both a *rational-analytic* as well as an *emergent* approach to strategic alignment and effective utilization of systems and process. These 2 concepts are not new; they have been thoroughly researched and can be found in any basic college text on strategy, and they align very well with our concept of the *flexible-disciplined* approach to systems and processes. The point that is lost in many companies however is that they (the firms) must not focus strictly on the rational-analytic quantitative approach, which they do. They also need to balance their approach with the more qualitative emergent approach to processes leading to alignment. This means that supporting business processes must be rigorous, of course, but they must also be dynamic and flexible to an extent. They must allow for some deviation. In our research and organizational case study we argue that *being flexible in your strategic alignment support processes does not defeat the purpose of a system; in*

fact, it enhances the system and process to produce improved results within the organization. This rationale, it should be noted, comes from a team of systems engineers who actually worked with business professionals in this research. Surprisingly it was the engineers themselves which made the point that flexibility *"is good".* It enables continuous innovation in your processes.

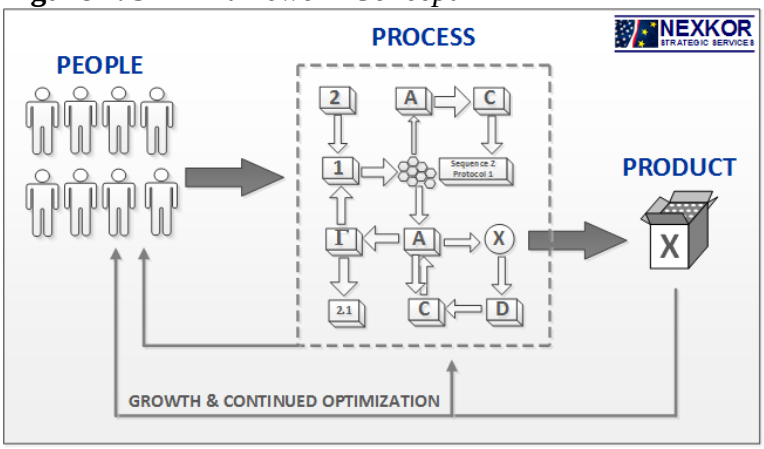
Product

This now takes us to our third element in the ***3PT*** Framework – product. Aligning people, establishing a flexible-disciplined approach to the right systems and processes, and making these dynamic and responsive to your strategic efforts, ultimately will lead to the organization, with the additional proper approach, establishing innovative, desired products and services. Thus, in effect, financial success.

From both strategic and operational points of view (and also affecting tactics), a primary consideration in innovative, market-desirable product development efforts and initiatives that utilize aligned people and processes is: *to what extent you approach this endeavor while at the same time protecting existing revenue streams within the organization?* This is the classic problem of when do you *"jump"* from one industry life cycle to the next. This obviously creates a discontinuity in "*S Curves*" and timing the transition is strategically critical. This area has been researched extensively including the effects of new disruptive technologies. Clayton Christensen's work *The Innovator's Dilemma* is an influential text.

In this research we established a fundamental basic definition of *"strategy".* Strategy, at its core, is defined as ***making decisions so as to shape the future direction of the organization***. In relation to product development priorities, many organizations find it difficult to *align* and *time* resources. New product initiatives are fraught with suboptimal performance which can be traced back to multiple reasons such as: idea-building and analysis done in relative isolation, lack of multiplicity on the product team, and lack of connectivity between the product development team and the rest of the organization. This last point is especially important and can occur in international organizations in which product development takes place at a headquarters location while a Strategic Business Unit (SBU) located in a target market is required to launch the product as part of strategic growth. These initiatives which are essentially (new product) project management endeavors may ultimately lead to suboptimal product results. Our alignment approach in regards to people, process product addresses these issues. Fig.1

Figure 1. *3PT Framework Concept*



Source: Pantelides, 2017

Literature Review

There has been a wide-ranging research done in the field of strategic alignment in the last couple of decades. Several dominant alignment models have been developed, which aim to present simple theoretical tools and solutions to the practical, real life strategic questions and problems, often faced by the international, multicultural companies. However, most of the research in the field is concentrated on a single factor, affecting strategic alignment in the company, whether it be the people, process, information technologies/systems, knowledge management, innovation, or production alignment with the corporate or business strategy. Therefore, models represent a rather narrow look to the whole picture. In other words, they fail to take multiple and simultaneous factors into account.

Unarguably, the *SAM-Strategic Alignment Model* (Henderson and Venkatraman, 1990) remains a cornerstone in research on strategic alignment. The model proposes an alignment of Information Technology and Business Strategies. Integration relates on two levels: establishment of IT capabilities at the strategic level by integrating IT and business strategies; and establishment of operational capabilities by integrating IT and an organization's internal infrastructure and processes. The model presents 4 quadrants – ***Business Strategy***, ***IT Strategy***, ***Organizational Infrastructure & Processes***, and ***IT Infrastructure & Processes***. Originally, four perspectives were developed through cross-domain integration which requires 3 of these 4 quadrants to be aligned for the firm to be able to pursue efficient strategic direction and change. These perspectives are: ***strategy execution***, ***technology potential***, ***service level***, and ***competitive potential***.

Half-a-decade after SAM was published at MIT Sloan, Luftman and Papp of Stevens Institute of Technology discussed and modified the perspectives presented in the original SAM model in *"Business and I/T Strategic Alignment: New Perspectives and Assessments*". They developed an additional eight perspectives in addition to introducing a concept of combined *"fusion."* Fusion perspectives consider the fact that in a 4-quadrant model, there are two ways to

reach the impacted domain from the anchor domain. Even though, various perspectives provide a good understanding of how in theory business and IT strategies can be aligned, they do not present the best practices for their application in real world business, neither do they consider factors and strategies beyond business and the IT spectrum. Furthermore, the later research provides data, which supports model validity, yet concludes by suggesting the need for increased and continued communication between the non-technical side of business and I/T in order to actually facilitate alignment (Luftman, Papp, 1995).

Joint effort of David Avison, Jill Jones, Philip Powell and David Wilson, professors at some of the most prestigious business schools in France, the UK, and Australia, has resulted into an exhaustive article *"Using and Validating the Strategic Alignment Model"* (Avison, 2004). This work aims to describe the use of SAM in actual practice. Proof of desirability of strategic alignment, is followed by discussion of how the firms can become aligned. Before getting to the specific steps in this process, the research makes several observations: is strategic alignment an outcome or a dynamic process? – the answer has been moving from the former to the later recently; what are the enablers and the inhibitors in endorsing the process of strategic alignment? – tandem-like approach to the future development of the company is an enabler, while the lack of close relationship between the IT and business is a constraint on the process; Is alignment a static end-state, rather than a moving target? – A punctuated equilibrium model, developed by Sanjeev Sabherwal, suggests that revolutionary change could be necessary due to environmental changes, even after strategic alignment has been achieved. (Sabherwal, 2001). Therefore, per Sabherwal, strategic alignment should be treated as dynamic. Based on the research of an Australian company from the finance industry, part of an 18,000 employee international firm, *"Using and Validating the Strategic Alignment Model"* proposes a 4-step framework for individual projects: (1) performing an analysis on the individual domains and components; (2) Applying the proposed project to the resulting profile of the first step; (3) determining the direction by alignment of the individual project to its appropriate perspective; (4) comparing and matching the alignment of the project perspective with the firm's future strategic objectives and goals.

For the purposes of our research, we need to look at not only the models, which depict a general picture of strategic alignment, but also the works, done specifically in the fields of our interest: People, Processes, and Product. *"The Power of Strategic Commitment: Achieving Extraordinary Results through Total Alignment and Engagement"* by Leibner, Mader and Weiss argues, that any initiative is predestined to failure if it lacks employee ownership, accountability, and engagement (Leibner, 2009). This work takes a people approach in every sense, starting from the leader *"infecting"* the rest of the management team with a strong drive to reach new heights through personal accountability; to senior managers making sure that their teams are on the same page when it comes to understanding company's strategy and objectives; to creation of a commitment-inspiring rewards system. It argues that when people are focused on goals, rather than changing environments, reactions to those

daily changes remain stable and the processes do not drag employees off the strategic rails. The work suggests that the so called ***trust factor***, incorporating honesty, dependability, valid judgement, and partnership, is the most powerful glue within the team.

Further research has been conducted by Sledgianowski and Luftman regarding Strategic Alignment *Maturity*. In this case study, Luftman proposes 6 dimensions of strategic maturity, first of which is communication, part of the social dimension of alignment. The SAM assessment describes Communications as the sharing of information for mutual understanding between the IT and business functions, and the methods used to promote this. The authors suggest 5 areas of communication: (1) mutual understanding of the IT and business environment; (2) Inter/intra-organizational learning; (3) communication protocol rigidity; (4) knowledge sharing; (5) liaison breadth/effectiveness.

After gathering information, the team had found the major insight to be that the *"interorganizational communication is fostered by a culture that promotes regularly occurring communication as a fundamental task of* ***every*** *manager and employee,"* while the SAM best practice was suggested as follows: *"Communication between IT and business should be pervasive throughout the organization, informal, regularly occurring, and use rich methods such as email, videoconferencing, and face to face."* (Luftman,2000). Overall, the research done in the direction of people alignment with business strategy specifically has provided both theoretical and, to lesser extent, practical tools for achieving the desired results.

Keeping in mind that knowledge sharing was one of the five areas of communication, defined by Luftman in social dimension, the subject has also been actively researched in the context of business processes. In particular, in the article *"The Strategic Alignment between Knowledge Management and Information Systems Strategy: The Impact of Contextual and Cultural Factors",* Jaflah Al-Ammary of the University of Bahrain, makes it clear that if a company is aiming for alignment of processes, first it needs to prepare people, equip them with skills and competences to be able to both manage and effectively utilize the processes. At the same time, Al-Ammary argues that (IT) cannot correspondence with overall business strategy unless it is oriented towards capturing knowledge. Considering the scales of both destructive as well as constructive potential of an issue with such a big importance, Al-Ammary proposes to create the position of Chief Knowledge Manager, who would lead the creation of knowledge transfer with implications on overall organizational performance. A person with both technical and non-technological knowledge, understanding of the organizational culture and soft skills, would establish an alignment of processes, which would move the KM systems in a direction that holds promise for long-lasting competitive advantage (Al-Ammary, 2014).

Additional work as it relates to international organizations / SBUs was done by Pantelides and Antony. It aimed to assess the relative value of knowledge transfer processes of industrial companies to the success of international project management teams. It has a unique approach to both

the people and the process part of the discussion. The research, based on a structural management problem of how international corporations with a network of SBUs manage their operations, identifies results caused by suboptimal processes: poor delivery performance, project cost overruns, customer dissatisfaction, poor employee morale, and suboptimal strategic decision-making. Communication between corp. headquarters and SBUs is at the core of the research. In order to promote better knowledge transfer across geographic and cultural borders four models of communication are developed: one-to-one; one-to-many; many-to-one; many-to-many. This is followed by recommendations for the use of each of the above-mentioned models (Pantelides, 2009).

Methodology

Problem Identification

Strategy *implementation* refers to a set of specific steps / actions that an organization must take in order to operationalize its strategy; this in effect means translating intent into action so as to achieve specific results and targets. Creating strategy is an *entrepreneurial* function that involves market scope analysis, i.e. thinking about customers, competitors, opportunities, etc., and rationalizing plans. On the other hand, strategy implementation is very much an *operations-oriented* activity which requires greater level of depth-detail, and more importantly, alignment of effort. Implementation usually permeates across the entire organization horizontally as well as vertically down. Therefore, we argue that *the key for success, is reinforcing strong alignment within the 3PT Framework centered around a robust communication approach*. If this is not addressed properly the organization will undoubtedly run into significant problems, including:

- Excess costs beyond budget allocations
    1. Higher personnel costs
    2. Higher operational & quality costs
    3. Higher delivery costs to meet required demand
- Suboptimum product characteristics
    1. Not meeting market selling price targets/levels
    2. Not meeting key desired performance requirements
    3. Not meeting development schedules
- Customer dissatisfaction
- Employee dissatisfaction and morale issues

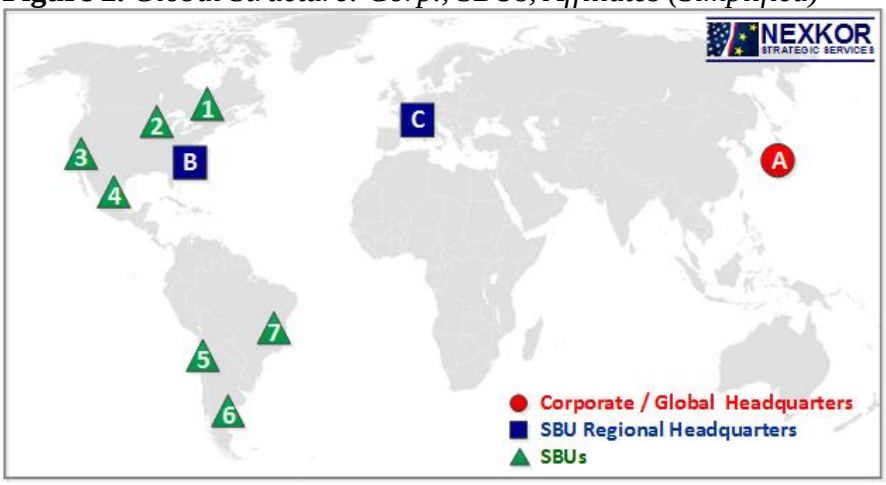
Ultimately the probability of achieving strategic targets, whether market-oriented, operational, financial, or otherwise, is significantly diminished. We estimate that a lack of proper alignment (isolated factor by itself) can cost an organization between 5-8% of its annual sales. This has serious consequences in that it represents lost resources and/or opportunities

that could normally be utilized in activities of innovation, a significantly-important function for an organization to maintain a strategic advantage!

The research was conducted within a target organization in the industrial machinery sector. This organization is a strategic business unit (SBU) of a larger Japanese heavy industry company with significant experience on a global scale. The SBU was located in the United States with several smaller production sites in the US and Canada reporting to it. In addition, the SBU acted as headquarters for several Latin America facilities in turn. The overall structure is shown in Figure 2.

Local market pressures on the Japanese headquarters over the past 10 years created significant pressure to expand the company's overall *global* footprint (outside of Japan). Unfortunately, this also ushered in a stressful dynamic across the SBU structure of the organization which resulted in significant misalignment of strategy, in turn resulting in suboptimal performance of the organization. Our focus will be on the performance of the Americas SBU, but the research does touch upon the periphery effects of the headquarters in Japan and auxiliary factors and conditions throughout the overall global structure, including recent acquisition in Europe.

Figure 2. *Global Structure: Corp., SBUs, Affiliates (Simplified)*



Source: Pantelides, 2017

Interview Protocol

Data for our research was identified and collected using a qualitative methodology structured around the general interview guide approach (*Guided Interview*) as outlined by Patton (1987). This in-depth approach is intended to ensure that the same general areas of information are gathered from each individual interviewed, and for us these centered around the ***3PT*** Conceptual Framework elements. This methodology provides focus but allows for greater flexibility and adaptability than both the *Standardized Open-Ended* and *Closed Fixed-Response* typical interview methodologies.

It is important to be able to gather information from a reasonable cross-section of the organization in relation to such particular research. This is done so that ultimate results have a certain level of confidence. For our case

the importance of scope has even greater significance because of the subject matter - extending to multiple facilities in multiple countries. Interviews were conducted personally one-on-one by this author (Pantelides) at the Regional SBU Headquarters in Virginia USA, as well as at the local affiliated SBUs in the US (2-Illinoise, 3-California); those in Canada (1) and Mexico (4); and those in Latin America (5-Chile, 6-Argentina, 7-Brazil). Interviews with the Corporate Global Headquarters(A) were done via Skype and provided strong influence data for the research. The lone interview with the other Regional Headquarters in Belgium(C) was conducted for the sake of completeness but did not provide any significant impact and/or influence on the strategy in the Americas. Referring to Figure 2., the focus of the research data, analysis, and results is within the alignment *"chain"* of Corporate Global Headquarters(A) in Japan, SBU Regional Headquarters (B) in the U.S. and affiliated SBU facilities in the Americas (1), (2), (3), (4), (5), (6), (7). The matrix shown in Figure 3 below indicates ***scope coverage*** across all interviewees (positions within the organizational structure).

Figure 3. *Number of Interviews / Vertical & Horizontal Scope Coverage*

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	BUSINESS ADMINISTRATION (Including Finance)	PRIMARY BUSINESS OPERATIONS	SECONDARY SUPPORT BUSINESS OPERATIONS	NORTH AMERICA SALES	LATIN AMERICA SALES
EXECUTIVE MANAGEMENT	2	1	_	1	2
SENIOR MANAGEMENT	2	1	_	2	2
MIDDLE MANAGEMENT	2	3	5	5	6
SUPERVISORY	1	5	4	6	6
STAFF	1	4	3	_	_

NOTE: Matrix value indicates number of individuals interviewed within each sector and level. Total = 64

Source: Pantelides, 2017

The interview protocol followed a standard sequence: follow-up of the explanation of the ***purpose*** of the interview (interviewees had been identified and contacted approximately 3-4 weeks prior to the actual interview meetings); issue of ***confidentiality***; outline of the ***format*** and ***time-frame***; permission for ***note-taking***, ***contact information*** for any follow-up; ***solicitation for any questions*** (from the interviewee) prior to actual start of the interview. The time allocated for each interview was 2 hours. Taking into account all 64 total interviews, the average time per interview turned out to be approximately 90-100 minutes each.

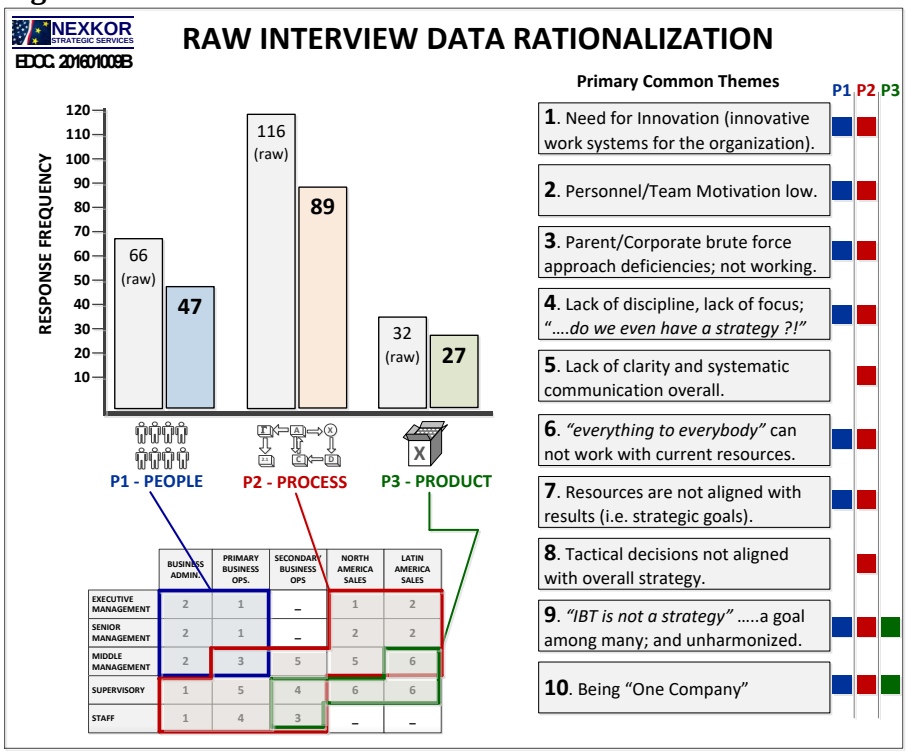
An essential element of all interviews is the verbal interaction between the interviewer and the individual being interviewed (Berry, 1999). The objective is to establish trust and rapport so as to obtain the highest possible quality information to truly attempt to identify key fundamental aspects of the problem(s) being research as well as possible solutions. Ten standard direct questions were utilized as a foundation (see Appendix 1) with three questions

each relating to people, process, product pre-structured categories. Question sequence was standardized. The tenth, so-called, *"anything-goes"* question was completely open-ended and asked for interviewees' input on improvement in strategic systems alignment; anything they wanted to provide. Follow-up questions were introduced as required in order to clarify any particular response. These follow-up questions were recorded so that they could also be standardized if needed to be used with multiple subjects. Immediately upon completing each interview, the researcher took additional (private/personal) time to note any particular, unique, or unusual aspects of the interview. All raw data (i.e. hand-written notes) were maintained as part of the research package. Specific individual names were redacted from the notes after 3 months when the data was categorized and analyzed.

Analysis & Model Development

The starting points for initializing our analysis and eventually establishing the model is: (1) quantifying the aggregate and net (excluding repetition) response frequencies to the *3PT* Framework elements from each of the 64 interviews; (2) identifying the emergent primary themes; and (3) identifying any relationships of the emergent themes to both the horizontal and vertical scope of the organization. This initial classification and structuring directly from the interview raw data notes is shown in Figure 4 below.

Figure 4. *Raw Interview Data Rationalization*

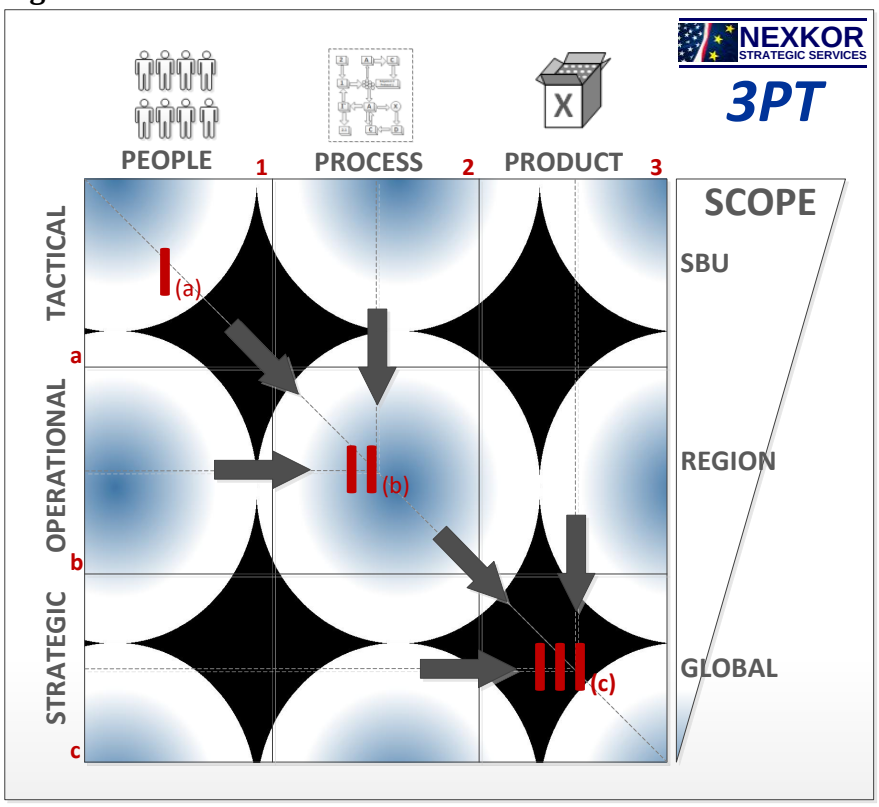


Source: Pantelides, 2017

After controlling for various peripheral discrepant factors and rationalizing the response data, a significant characteristic relevant to strategy and strategic alignment emerges from the interviews as we process raw data to actionable information. Greater than 77% of responses focus on either a *people* or *process*-centered factor and relatively few touched upon *product*. Even for those specific responses which in fact considered product as a focal part of strategic alignment, product in most cases still was not the most significant factor, it remained auxiliary; for example, when a major theme (See Figure 4.) such as (9) IBT and (10) being "one company" emerged, these touched upon the actual company end-product but the product itself was not the major factor. For the organization to align towards a strategic financial goal (not strategy) of a certain IBT, of course the product needs to be designed, engineered, produced, delivered and serviced, with this financial target in mind, and this depends on the organization's competitive advantage (with the product) in the market it participates in, but the vast majority of the individuals interviewed felt that the product itself was more than adequate in this regard. The same holds true, for example, with aligning towards "one company." Core product alignment has already been established throughout all the SBUs, it's simply a matter of making that product/sets of products ***easily*** available and with a certain level of flexible utility that accommodates the various market needs.

Why is this observation significant for us? In fact, this indicates that the alignment model needs to be initiated in a stratified-matrix approach that initially builds on and supports an already strong product offering that perhaps is currently underutilized due to various other factors such as a weaker people and process structure. This means that a linear concept of **people ➡ process ➡ product** may be the initiating point but needs to be expanded in an additional dimension to account for a natural progression from functions relating **tactical ➡ operational ➡ strategic** and within a scope expanding from the SBU to higher order Global Alignment. Essentially the conceptual model building up and aligning capabilities to support an already-strong but underutilized product. The reasons for such underutilization essentially emerge from the research survey, manifest in the primary common themes, and form the major components of our conceptual model framework. Our model as introduced is shown in Figure 5 below.

Figure 5. *3PT Framework Model*

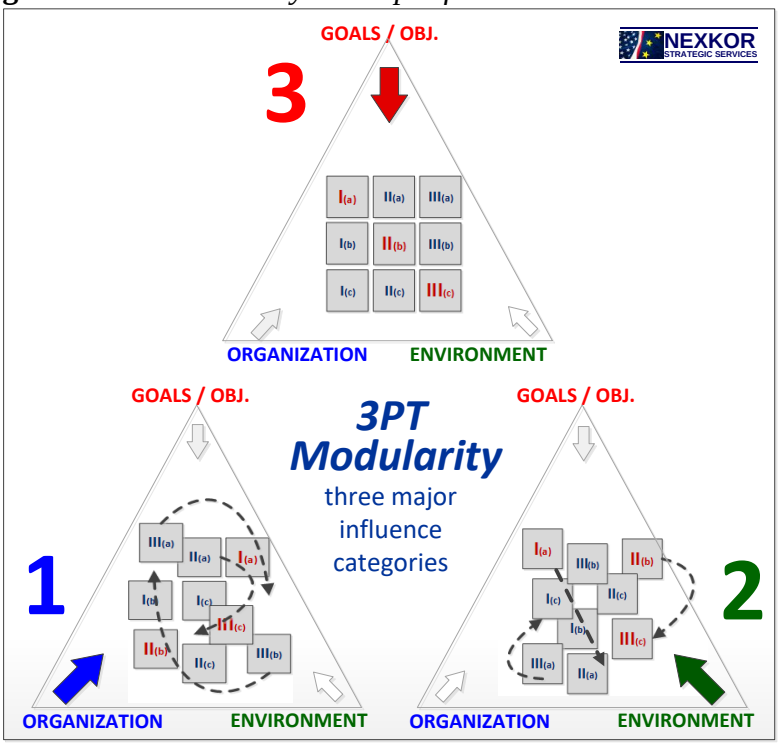


Source: Pantelides, 2017

Results & Discussion

Like the idea of business itself and all functioning organizations in particular, the ***3PT*** Framework is a ***"live"*** *concept* and not simply a static framework like previous standard tools mentioned in literature; it provides for implementation flexibility which we consider a critical point within the entire concept of strategy. It is very well-known that the majority of so-called ***strategic failures*** occur at the implementation phase. Thus flexibility in strategic creation and execution is paramount. 3PT's modular concept, we feel, is a key innovation of this research and our final model. As long as the overall structural framework is used as a guideline, the actual working modules that make it up, are flexible to be aligned (within a strategic management project) in a way that optimizes practical work within that particular organization/project. There are 3 categories that influence how the ***3PT*** Modules are organized for a particular project: (1) characteristics of the actual utilizing **organization** itself; (2) factors and influences of the **environmental setting**, that is, the particular industry, sector, market, that the organization functions in and/or wishes to penetrate; and (3) the actual **goals**, **objectives**, aspirations, needs of the organization. This concept is shown in Figure 6 below.

Figure 6. *The Modularity Concept of the 3PT Framework Model*



Source: Pantelides, 2017

The nominal approach and utilization of our model is applied in a practical case study of the organization previously described and within Lafley's overall construct (Lafley, 2013).

Strategic Aspiration | 3PT:People-Tactical

Applying our model to the case study organization it was revealed fairly quickly that the fundamental problem was a lack of alignment in exactly what the organization's goals and objectives were to begin with; this was further supported by the results of our research interviews as well. Strategic goals from headquarters were either not communicated at all (because of breaks in the responsibility chain), or not clearly articulated to all levels of the organization (because of lack of support and mid-level side-agendas). There was an Operations Strategy which was not aligned with the Sales Strategy for example. The Sales Team was focusing on a *"shotgun"* approach to identifying and selling product, and with the necessary incentives and motivation, while the manufacturing operation was focusing on building-up local manufacturing capabilities in the US. They focused their resources on a specific product series that was destined to become a global product to be shipped from the plant in the USA (the SBU Regional Headquarters), thus making this plant the global supplier for the customers of all the other facilities. Furthermore, this did not align with the resources and support systems available from the Corporate Global Headquarters. When the problem was further filtered down to all the SBUs in the

Americas it reached a **critical level of *misalignment*** because the strategic aspirations of the organization were completely diluted and all that the SBUs could do is to just sell anything so that monthly financial targets were reached, hopefully; this is what the focus was under previous conditions. Not only did this discount the specific needs and drivers of the market, but there was no strategy so to speak beyond this basic approach. The strategic objectives, goals, aspirations were completely siloed and ***key individuals really did not understand the relevance of their tactical approach to the overall corporate direction***. All this was at the tactical level; meanwhile at Corporate Headquarters (Japan), fairly complex and non-market-focused management policies were enacted thru a Global Business Strategic Board which resisted change even though the global environment was consistently indicating that the majority of growth was slowly shifting to the Americas specifically Latin America and away from their local (Japan) market.

Based on this situation, the initial starting point was the creation of a Strategic Planning and Control (SP&C) Team that would work to *unify and clarify* (starting at the tactical level). This was the ***3PT*** Tactical People Phase I(a).

The single biggest factor in creating this team was to identify leadership and organizational structure of the team so that roles and responsibilities are clear and communication is streamlined not only within the team itself but from them to the entire organization. The primary role of the team would be alignment and cohesion-creation thru unification and clarification. This SP&C Team consisted of: (1) a technical group focused both on data/info/knowledge management and actual tactical engineered solutions to market demands. This was important because the organization's products were of a technical, highly-engineered, nature; the importance of this team would later become very visible when in Phase III(c) products would need to be identified for global strategic growth; (2) a forward-looking business development team of specialists that worked towards ***new*** growth opportunities; (3) a global marketing team that, together with the technical team, supported new opportunity initiatives and directional growth targeting; and finally (4) a Corporate Project Manager that undertook the day-to-day coordination of the SP&C group and its interaction with the overall organization. Thus this team handled both strategy formulation and implementation and support, together with the entire organization at the SUB regional Headquarters and the SBUs throughout the Americas. The team was led by a Director-Level position which worked with Executive

Management and leadership in the Americas and globally. The creation of this leadership position was again a critical factor. This position required:

- building relationships with real authority / decision-making
- a broad corporate and industry perspective
- capacity for both planning (tomorrow) & doing (today)
- a clarifier on how things fit together - integration
- focus and discipline to decision-processes

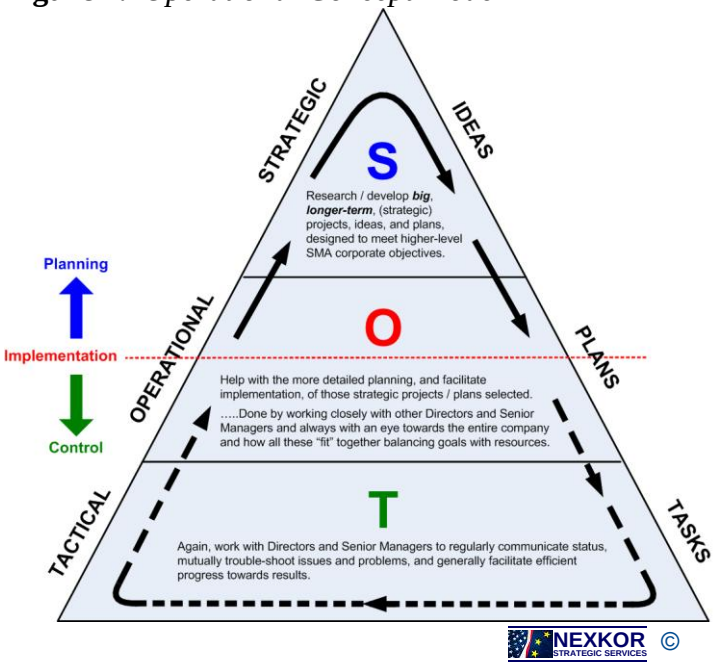
Appendix 2 outlines the major responsibility areas of this Team of people.

Operational Playing Field | 3PT:Process-Operational

Every organization occasionally has to make some momentous decisions – the sort of decisions that affect the entire operation. These decisions are designed to address the biggest and most important issues facing the operation as a whole. These decisions are not simply about small adjustments and modifications to lower-activity-levels (tactical), the concepts are created at the highest strategic level and they carry significant impact and may reshape the *backbone* of the organization – operations. These may be organizational structure changes which affect individuals and if not carried out correctly can be damaging to morale. Within the context of our case study organization, the first initiative was to have the entire organization understand the concept model we would be utilizing. This is shown in Figure 7 below.

From this model, operational alignment was established starting from Corporate Headquarters and working down to the tactical day-to-day level of each operation. Annually the corporate board in Tokyo, together with the Director of SP&C as the representative of the various operations, would both outline and reinforce short, medium, and long-term objectives for all the operations in the Americas. These were then used in establishing formalized budgets thru an ***iterative and collaborative leadership process***. These cascaded down throughout the operations of the region with major capital requests linked directly to key aligned-projects. Each SBU, thru a series of on-going meetings, established their operational objectives and plans that directly aligned with those of the regional headquarters and the corporate global headquarters. Mutually-agreed upon KPIs were created, rationalized, and integrated within the overall reporting system of the operation. These KPIs supported the mid-to-lower-level tactical objectives and associated metrics, essentially the *"daily work"* that was done within all the operations in the Americas region. This fairly tight integration provided for cohesion and directly contributed to alignment with the most important ***morale-boosting aspect being that staff employees' daily work could be linked and traced to the highest level of strategic initiatives***. Not only did this bring buy-in, but improved operational efficiency in such areas as assembly/production, quality inspection, and customer service and order processing. Appendices 3 & 4 show sample work-structures used in the operational alignment process.

Figure 7. *Operational Concept Model*



Source: Pantelides, 2017

One of the most important aspects of this process involved a somewhat rigorous Project Management type of approach with the major strategic initiatives. This was a significant change that the organization faced. Rigorous project management was not something that was familiar to the company. This is where the Corp. Project Manager (CPM) role was critical. As was directly evident from the initial research interviews conducted, communication was a critical factor (lacking) in the process. The CPM established regular and formal group Strategy Communications STRAT/COM meetings, in addition to the numerous one-on-one informal coaching and collaboration interaction that took place on a daily basis. The CPM's job essentially was that of communicator, facilitator, and coach. Appendix 5 shows a typical working template in aligning and prioritizing strategic objectives with key initiatives within a project management environment. This was the constant working document that the CPM used on a daily basis in their work with all mid-level and staff level personnel of the organization.

Winning Strategy | 3PT:Product-Strategic

The overall system/process that has been outlined so far is first focusing on people/teams; obtaining and developing the right people or as they say in the United States *"getting the right people on the bus."* Those individuals would then work on establishing strong ops. systems, processes and organizational structure, with the required approval of leadership and a strong sense of collaboration from all areas of the organization. The third part of the ***3PT***

Framework is ***Product***, which results from the work of the first 2 phases of the framework; this is what is shown in previous Figure 1.

This part of the framework is also very strongly integrated to a company's innovation approach and, in our case, with the strategy of the Corporate / Global Headquarters. Within our case study organization, there were certain significant concerns with the organization's product but these were not perceived to be critical (as is apparent in the interview results, Figure 4).

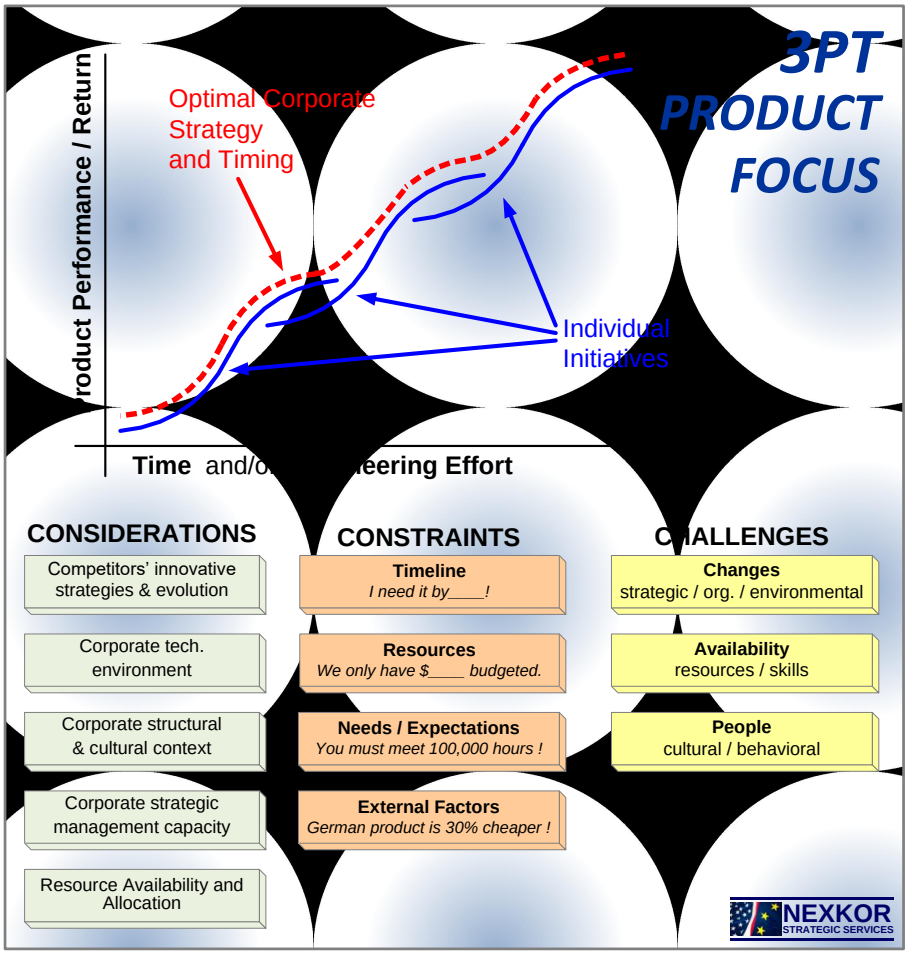
The organization essentially was engineering-driven so in terms of strategic positioning it was almost exclusively a *technological-push type approach*. This in turn occurred from the Corporate / Global Headquarters which centralized all forms of Product Engineering and R&D. Although this centralization had its benefits, it had one major detractor, it did not provide for a strong link between the product developers with the ***global*** market needs. These developers had a strong sense for the ***local*** *Japan market*, but not for the rest of the organization's playing field around the world. This had evolved over a span of 80 years from the time that the Japanese organization had licensed a particular innovative machine design from the original German creator. This design became the company's core product. It was very successful and had undergone multiple series generations of technological improvements. The issue however was that for the most part these performance improvements / modifications for each successive new series really focused on cost control and catering almost exclusively to the needs of the local Japanese market, and at the expense of the rest of the world. Machine designs were made quieter, smoother, smaller with equal or greater power output. These factors may have been valued by say Japanese manufacturers who used these machines at a Toyota plant in Kanagawa, however for many parts of the rest of the world, customers may have not actually looked for such incremental improvements and *"innovations."*

Two significant things occurred in regards to this process: (1) the core product which made up over half of corporate sales, over the years began to lose its robustness – meaning that successive modifications tightened the product's performance envelope so that any operational deviance outside of that envelope usually resulted in some form of failure or suboptimal performance; (2) the company's majority sales began to be realized *outside* of the local Japan market, (i.e., globally). So from 2012 the majority of sales were coming from the Americas, Europe, and areas of Asia, not including Japan. This created the setting for the work, specifically for the Americas Region, to make the core product, and related auxiliary sub-products, more geared towards regional customer needs in North and South America. This would be the output results from the People and Process phases in our ***3PT*** Framework Model.

Following a standard, straight-forward product life-cycle approach that is outlined in any basic strategic management reference, we established thru ***3PT*** a product performance vs. engineering effort evaluation approach that focused on specific key issues within the organization. These would be addressed thru our established systems (now created) so that the resulting product would offer

an optimal balance of cost, performance, and required resources (which relates primarily to time to develop). Once again, the product itself was very strong, it only had to be adapted to local markets in the Americas rather than the focus on Japan that represented decades of past product development. This is important because thru the ***3PT*** framework it was finally accepted that the past way of doing things was no longer viable and strategic growth would suffer significantly if things did not change. Figure 8 below shows the primary factors and considerations that were considered in the *Product* phase of ***3PT***.

Figure 8. *3PT Product Focus Phase (utilizing typical product life-cycle)*



Source: Pantelides, 2017

After adopting this somewhat more rationalized approach to local product/ market adaptation that resulted (was made apparent) from ***3PT***, the Regional SBU Headquarters went on to strategically map, not only its aforementioned core product, but all its product development processes along to axes: **(1) Product Change** (from *New Core Product*-to-simple *Product Enhancements*) and **(2) Process Change** (from *New Core Process*-to-simple *Incremental Change*). Additionally, three project classifications were created: (a) Derivative Product Projects, (b) Platform Product Projects, and (c) Breakthrough Product

Projects. The level of risk was overlaid above this matrix and the resulting roadmap was incorporated into the strategic alignment system established by ***3PT*** as an official corp. communication document managed by the CPM. This overall structured organization started to produce results fairly quickly. The organization optimized its profit from its core product after identifying and working specifically towards core needs and after making stronger strategic decisions to forego the attitude of *"let's try to do everything with what limited resources we have"* but now utilizing its people and processes to align its resources in a significantly more efficient way. It is felt that the true nature of what strategy actually means (making decisions, sometimes ***hard*** decisions to forego something so that you can fully optimize something else) was slowly realized by the organization in which we applied our model.

Sales and profit results steadily increased starting with the second half of 2015 and first half of 2016 and continued strong for the rest of the year (measured monthly). Of course continued monitoring will be required to verify our results and confirm these benefits, but all indicators show that the new system developed, has not only made true alignment achievable but has shown to be significantly beneficial with a strong outlook if continued to be utilized properly, and as intended.

Conclusion

Our research established a need for developing a practical, integrated model for optimizing strategic alignment within our target case-study organization. This need was identified thru a well-structured research interview approach that uncovered specific concerns within our target organization, concerns which were identified as similar/typical as those in numerous organizations around the world that have to do with strategy and strategic alignment. These concerns included: lack of fully developed and innovative work systems and processes that may or may not be integrated to alignment; deficiencies in the organization's parent-SBU relationship which adversely affected communication, morale, and ultimately work alignment across tactical, operational, and strategic levels; lack of efficient resource alignment/ allocation when applying required organizational change towards strategic goals and objectives; and suboptimal decision-making that was not integrated from tactical to strategic levels.

The ***3PT*** model that was established considered the above results of our research interviews and the original work analyzed these both quantitatively and qualitatively. The established model normally has a straight-forward sequential approach: (1) establishing the right people (in this case SP&C team) that work on strong team-building and collaboration with the entire organization ➡ then (2) the organization itself, led by an inclusive team, establishes robust yet flexible systems and processes that integrate alignment across the greater scope of the organization (including such things as resource allocation and prioritization), and finally ➡ (3) these system will establish the

logical emergence of truly innovative products and services for the organization, products and services that are truly geared towards the original strategic goals and objectives. However with a focus on a more innovative approach and an eye towards establishing greater, real-world flexibility, the established model was *modularized* to become more of a *"living"* iterative system itself also aligning with respect to its various applications and change processes, and with the living aspect of all organizations as constantly evolving entities. *Modularization* means making the model easily adaptable to the/any problem at hand. This was done by identifying specific sequences (modules) within the framework that can be rearranged based on particular need of the organization applying the model/tool. Thus our model can be applied to a multitude of organizations across many industries and sectors and under various conditions, as long as individual modules that define the model itself are established appropriately with key identifiers that can be defined within the investigative/research phase of the implementation (part of the change process of the organization).

Actual corporate performance results obtained fairly early in our process indicate a successful approach of the overall process of investigation, model-development, and application with expected outcome; although monitoring of the case-study company should continue to a V&V (Verification & Validation) Phase. We expect however that the main themes that were established will endure because of their central focus to strategic alignment; these include:

1. **common understanding** of the strategic objectives and an agreement that these strategic objectives are actually worthwhile in obtaining as part of strategic alignment.
2. **commonly-shared view** about what parts of the organization, with emphasis on the Regional SBUs, need to change and why.
3. **strong common commitment** to an efficient strategic alignment plan execution based on an equitable ***3PT*** framework approach.

These 3 key themes make up the organization's required *"shared reality"* as opposed to a "*fragmented illusion"* that works against strategic alignment. Our model both establishes and strengthens these themes by establishing strong executive commitment early on (as shown with the *"people"* phase in establishing the SP&C Team); maintaining a strong focus on communication and broad corporate collaboration when, during the second phase, systems and processes need to be developed. This is very important especially when establishing systems that involve the allocation of resources to the various constituencies in order to meet key strategic alignment objectives as part of the overall integration and prioritization. The sense of fairness here and understanding the overall strategic direction is paramount.

The establishment of a so-called collaborative and constructive dialog about strategy, that involves virtually all employees thru the SP&C Team and the direct mid-level managers, cannot simply be handed-down. It must be established and nurtured so that a strong cross-functional understanding of the

3PT Process as it relates to strategy creation and alignment of the SBU is really and actually well-understood. The key point is the fact that people support what they help to create and the fundamental aspect of ***3PT*** is to establish a strong sense of ***ownership*** from the start. This then creates a sense of ***engagement*** and establishes it as a link between strategy creation from say the Global Headquarters, to the Regional SBU Headquarters and filtering down to the rest of the SBUs in the region (Americas). The process establishes a ***culture that embraces strategy***. The foundation is then set for truly effective, efficient execution that, thru our model, becomes repeatable and sustainable. This focus is highly desirable since it is such a lack of focus that is a widespread problem in many organizations today.

3PT focuses energy and valuable resources thru its systematic application; it eliminates redundancies and suboptimal functions (especially at the tactical-level) and specifically defines the capabilities and competencies the organization requires in order to establish and maintain competitive advantage. Furthermore it ensures that all personnel understand this to a great extent. The model is comprehensive in that it integrates people | process | product in such a comprehensive yet flexible way so as to directly influence how organizational work actually is accomplished. If applied correctly and consistently, it can transform an organization and optimize it to a significantly higher potential as it has initially been indicated in this study.

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APPENDIX 1. *Interview Protocol*

NEXKOR STRATEGIC SERVICES

EDOC. 201601012A

A

INTERVIEW PROTOCOL / QUESTIONS

DATE & TIME: / /

SBU LOCATION:

NAME or ID#:

0

1. Does the respondent understand the purpose and structure of the interview ?
2. Does the respondent understand the confidential nature of the interview ?
3. Has contact information been confirmed for 2-way after-action contact as needed ?
4. Are there any questions the respondent may have prior to starting the interview ?

1

1.1 *How would you define "strategic alignment" ?*

1.2 *What does aligning people towards a common strategic direction look to you from the point of view of your specific functional area ?*

1.3 *To what extent do you feel overall SBU human resources are aligned with strategic goals and objectives ? Please elaborate.*

2

2.1 *How would you define "corporate focus" ?*

2.2 *What does aligning systems & processes towards a common strategic direction look to you from the point of view of your specific functional area ?*

2.3 *To what extent do you feel functional systems are aligned within the North & South America SBU Network ? Are they aligned towards a/the strategic direction chosen by the organization ?*

3

3.1 *Based on your experience here at the organization, how well would you say decision-making is aligned with regional (The Americas) strategic goals and objectives.*

3.2 *What does aligning products and services towards a common strategic direction look to you from the point of view of your specific functional area ?*

3.3 *Is product and service development / new product introduction aligned with the regional market we serve ? Please elaborate.*

10th

10. *Based on your overall professional experience both here and elsewhere, what recommendations, if any, would you have for improving strategic alignment ?*

___ / ___

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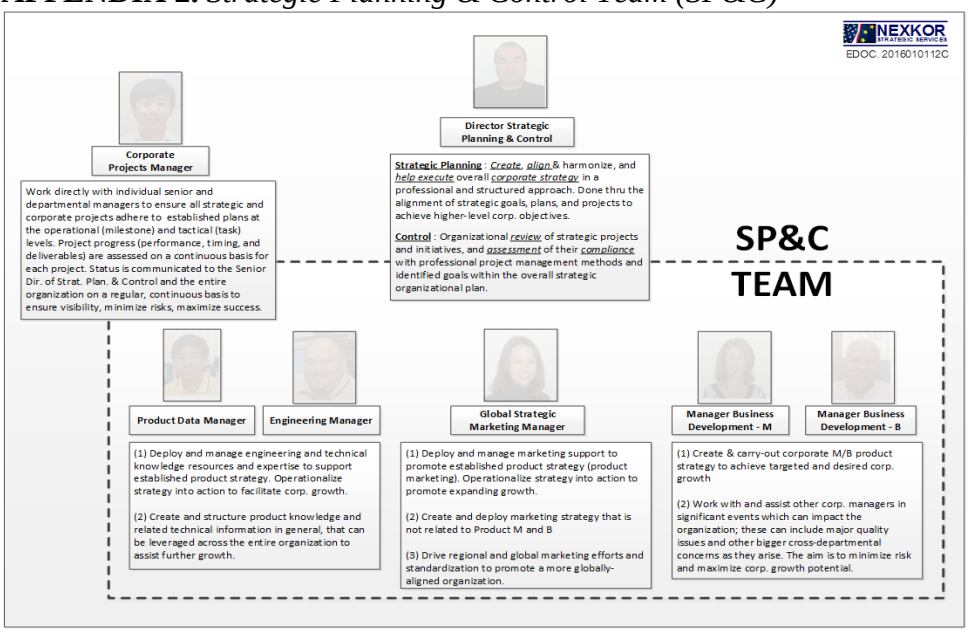
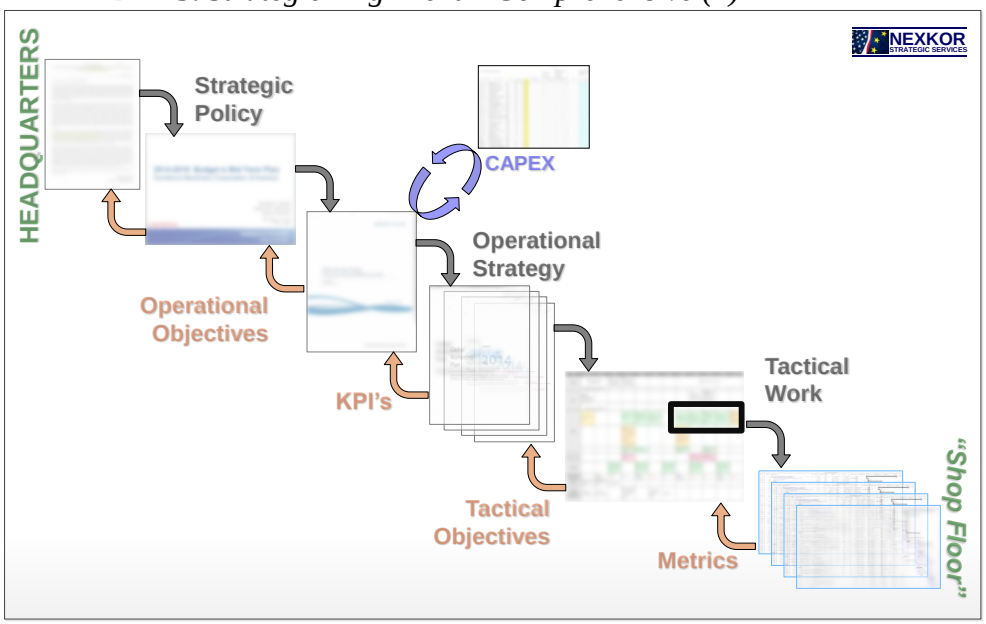
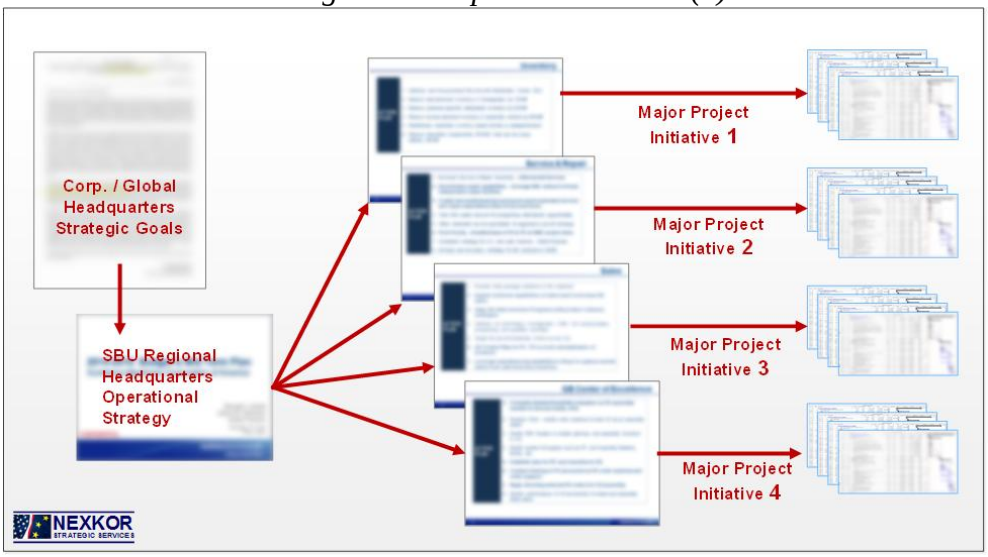
APPENDIX 2. *Strategic Planning & Control Team (SP&C)*



APPENDIX 3. *Strategic Alignment – Comprehensive (1)*



APPENDIX 4. *Work Alignment – Operational Level (2)*



APPENDIX 5. *Work Alignment – Project Management Level (3)*